

Revelstoke Companies Ltd.

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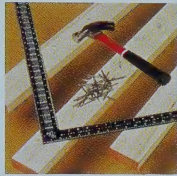


Revelstoke: a rapidly growing

Alberta based retailing



and building



products company

serving energy rich western

Canada. Revelstoke is home



improvement



centres, redi-mix

concrete plants, lumber



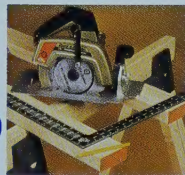
mills

and



People, selling building

materials,



lumber, hardware

and home renovating products

to the do-it-yourself market.



1978 Annual Report

What is Revelstoke

Revelstoke's most significant business consists of 105 stores located throughout western Canada, serving primarily "do-it-yourself" retail customers as well as tradesmen and builders. These stores are referred to as "home improvement centres" as each one represents a combination hardware store, lumber yard, home decorating centre, building material dealer, carpet store and supplier of electrical, plumbing and heating equipment. In essence, what were once lumber yards have now evolved into stores that offer one-stop shopping for customers wishing to complete any type of home building, decorating or repair project.

The Company is also in the business of producing redi-mix concrete with 21 plants in Alberta, Saskatchewan and British Columbia, and in the lumber manufacturing business with three mills in Alberta and one mill in British Columbia. The principal customers of the concrete plants are builders, government agencies, homeowners and farmers. While a majority of the lumber produced by the mills is either sold in Canada or exported to the United States, the mills also serve as a major source of supply for Revelstoke's own stores.

The Company's retail, concrete and lumber businesses are organized into three operating "Divisions" which are closely related to one another in terms of integrated management, common customers and inter-company sales. First and foremost, however, Revelstoke is an organization of men and women committed to attracting, satisfying and retaining customers who build for themselves and others. The existence and success of the Company is based upon its ability to excel in serving customers through having the best people available in the industry.

Our Company Objectives

- To serve and satisfy an increasing number of customers.
- To provide the men and women in our Company with the opportunity for advancement and increased personal satisfaction.
- To demonstrate entrepreneurship, leadership and high standards throughout the Company.
- To participate in markets which experience above average growth.
- To monitor closely competitive market conditions.
- To keep our manner of doing business simple and economical.
- To strive for excellence as opposed to imitating others and accepting how things were done in the past without question.
- To increase earnings per share and achieve an acceptable return on shareholders' equity.
- To support community affairs where we are located on a basis consistent with the size of our Company.
- To have fun.

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1978 At a Glance

For The Years Ended December 31

Total Dollars:

| | Change 1978 - 1977 | 1978 | 1977 |
|--------------------------------------|-----------------------|----------------------|---------------|
| Sales | + 16.3% | \$178,278,000 | \$153,275,000 |
| Pre-Tax Earnings | + 15.5% | \$ 8,455,000 | \$ 7,320,000 |
| Income Taxes on Earnings | + 14.0% | \$ 3,341,000 | \$ 2,931,000 |
| Net Earnings for Shareholders | + 16.6% | \$ 5,114,000 | \$ 4,386,000 |
| Cash Flow | + 45.2% | \$ 7,738,000 | \$ 5,329,000 |
| Common Share Dividends Paid | + 56.3% | \$ 802,000 | \$ 513,000 |
| Earnings Retained & Reinvested | + 11.8% | \$ 4,196,000 | \$ 3,753,000 |
| Capital Expenditures | + 81.1% | \$ 6,464,000 | \$ 3,569,000 |

Per Share:

| | | | |
|--------------------------------------|---------|-----------------|----------|
| Sales | + 14.5% | \$ 44.65 | \$ 38.99 |
| Earnings | + 14.7% | \$ 1.25 | \$ 1.09 |
| Cash Flow | + 42.6% | \$ 1.94 | \$ 1.36 |
| Common Dividends Paid | + 53.8% | \$ 0.20 | \$ 0.13 |
| Earnings Retained & Reinvested | + 9.4% | \$ 1.05 | \$ 0.96 |

Performance Measurements:

| | | | |
|---|--|-----------------|----------|
| Asset Turnover (Sales ÷ Assets) | | 2.22 | 2.01 |
| Return on Sales (Net Earnings ÷ Sales) | | x2.87% | x2.86% |
| Return on Assets (Net Earnings ÷ Assets) | | = 6.37% | = 5.76% |
| Leverage Factor (Assets ÷ Equity) | | x2.65 | x2.92 |
| Return on Shareholders' Equity (Net Earnings ÷ Equity) | | = 16.92% | = 16.85% |

Earnings per share are calculated after deducting preferred dividends and are based on the weighted average number of shares outstanding during the year. Capital expenditures are less the proceeds of asset disposals during the year.

Performance measurements are calculated using the asset and shareholders' equity balances as at the beginning of each year.

Stock Market and Dividend Information

Common Stock Listed on Toronto Stock Exchange
Symbol REV

| Fiscal Quarters | Stock Price High Low | Dividends Per Share |
|------------------|--|---------------------------------|
| 1978 4th Quarter | 11 ¹ / ₈ 8 ⁷ / ₈ | \$.11 |
| 3rd Quarter | 8 ³ / ₈ 7 ¹ / ₂ | |
| 2nd Quarter | 8 6 ¹ / ₂ | .09 |
| 1st Quarter | 7 ⁷ / ₈ 6 ³ / ₈ | |
| 1977 4th Quarter | 8 6 ³ / ₄ | .06 ¹ / ₄ |
| 3rd Quarter | 9 ¹ / ₄ 7 | |
| 2nd Quarter | 8 ³ / ₄ 7 ⁵ / ₈ | .06 ³ / ₄ |
| 1st Quarter | 8 ⁷ / ₈ 6 ⁵ / ₈ | |

Common share dividends are paid semi-annually
on April 1 and October 1.

President's Report

1978 Highlights

Revelstoke's total sales increased 16.3% to \$178,278,000 compared with \$153,275,000 in the prior year.

Earnings amounted to \$5,114,000 or \$1.25 per share compared with \$4,386,000 or \$1.09 per share in 1977.

Dividends were \$0.20 per common share compared with \$0.13 in the previous year.

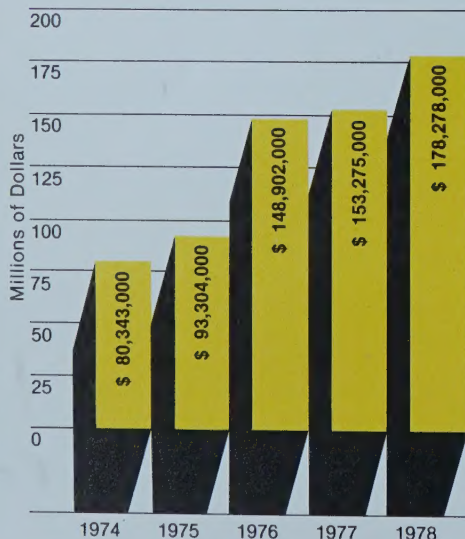
The Company's operations throughout Alberta generated a substantial majority of the sales and earnings.

For the past two years Revelstoke's earnings have been adversely affected by the federal government's anti-inflation controls which no longer apply to the Company after December 31, 1978.

Revelstoke's dominant business continued to be retailing with the stores accounting for 73.5% of sales compared with 19.2% for the concrete plants and 7.3% for the lumber mills.

Capital expenditures were \$6,914,000 in 1978 compared with \$6,257,000 in 1977.

Total Sales



Review of 1978

During 1978 each of Revelstoke's three Divisions experienced an increase in sales stemming from a reasonably healthy economy in western Canada, particularly Alberta. The earnings performance of the Retail and Concrete Divisions was somewhat disappointing as cost increases and a reduction in gross margins offset any sales gains. As a result of a strong lumber market, the Company's Lumber Division achieved a significant improvement in earnings compared with 1977.

Revelstoke's retail sales benefited from buoyant business conditions in most parts of Alberta and a gradual turnaround in the British Columbia economy, starting in the latter part of last year. Sales in the Saskatchewan stores registered modest growth as opposed to Manitoba where sales continued to reflect weak demand. On an overall basis, the Company increased its share of the western Canadian retail market.

For both the Retail and Concrete Divisions, competitive pressures acted to restrain any earnings improvement. In addition, the performance of the Company was affected by having to dispose of "excess revenues" as dictated by the Anti-Inflation Board. This negative factor was compounded by the need to avoid generating additional excess revenues in certain of Revelstoke's subsidiaries where business and market conditions were especially strong. As the Company had to file compliance plans with the Anti-Inflation Board on a subsidiary by subsidiary basis, Revelstoke was unable to offset increases in earnings in the best performing sectors of the Company with decreases in earnings incurred elsewhere. The combined negative impact of the anti-inflation controls was even more material in 1978 than in the previous year. Fortunately the controls no longer apply to Revelstoke after December 31, 1978 and the amount of excess revenues carried into 1979 are negligible.

Substantial progress was achieved during 1978 in the Company's program of opening new stores, enlarging existing outlets and upgrading facilities at the stores wherever required. With few exceptions, all of Revelstoke's stores are now completely up-to-date with well merchandised selling space and a uniform store format. In addition, the Company is becoming much better represented in Edmonton, where a new store opened last November and a fourth store opened this April, and in Calgary, where two new stores are currently under construction to replace two of the five existing stores.

Subsequent sections of this Annual Report contain the operating and financial highlights for each of the three Divisions during 1978. These sections also include a series of the questions most frequently asked by shareholders and financial analysts concerning Revelstoke's three Divisions together with management's answers to these questions. Other sections of the Annual Report describe the Company's history for the past 75 years and discuss the impact of inflation on our business.

Throughout the Annual Report reference is made to Revelstoke's three "Divisions" as if they are separate operating entities. In actual fact, this is not the case as the stores, concrete plants and mills are closely inter-related from the standpoint of integrated management, inter-company sales and common customers. This is illustrated by the fact that the mills are the stores' largest supplier, 14 of the 21 concrete plants are managed by the same individual responsible for managing Revelstoke's store in that community, and the stores and concrete plants often supply materials to the same customers. While the splitting of our Company into three Divisions is somewhat artificial, it is hoped that this will contribute to a greater understanding of our fundamental business.

Financial Position

During 1978 Revelstoke's total assets increased to \$93,914,000 compared with \$80,224,000 at the end of 1977. Shareholders' equity increased in 1978 to \$34,713,000 compared with \$30,218,000 at the end of the prior year. The Company's working capital position declined slightly from \$25,159,000 at the end of 1977 to \$24,563,000 on December 31, 1978.

Revelstoke's capital expenditures in 1978 amounted to \$6,914,000 compared with \$6,257,000 in the previous year. In addition, mobile equipment purchases of \$1,968,000 were lease financed. In 1977 sale and leaseback financing amounted to \$4,211,000. As a general policy, the Company finances most of its mobile equipment and large new stores through sale and leaseback arrangements.

Given the current high level of interest rates likely to prevail throughout most of 1979, Revelstoke is going to defer any additional long-term debt financing until 1980. The Company also does not have any plans for financings during the current year that would involve dilution on the part of Revelstoke's shareholders.

This past December the Company obtained independent appraisals of the land and buildings at 43 of the larger stores and concrete plants. The appraised value of these properties at December 31, 1978 was \$27,219,000 compared with their stated book value of \$6,025,000 on that date.

Our People

Even more important than Revelstoke's financial resources are the enthusiasm, skills and spirit of the people throughout our Company. We are primarily a marketing service enterprise whose continued success depends upon satisfying our customers needs in countless transactions every day. We do not sell unique products so we depend on having the best people in our business to give customers the best service in our business.

Supporting the people dealing with customers are the other individuals in the stores, plants, mills and head office, who also must be highly qualified and committed if Revelstoke is going to achieve its objectives. A sense of teamwork at each store, plant and mill as well as between these operations and the head office is another essential factor if we are to excel in serving our customers.

We have no interest in becoming a bureaucracy and are constantly on guard to fight against any tendency of becoming one. No one working at Revelstoke is just a number and every position is regarded as being meaningful to the overall results of the Company. We also strive to avoid a "we and they" attitude between our employees and management or shareholders. Basically, we are all in partnership together and that means working closely with one another and sharing in the benefits of Revelstoke's success.

Despite our growth in size, we continue to emphasize a highly personal approach to dealing with employees, customers and suppliers. In addition, we strongly believe it is important for everyone at our Company to enjoy working together and to identify as being part of "the Revelstoke family." We recognize the basic fact that individuals only excel in their work when they take pleasure and pride in what they are doing. To make sure this is not forgotten, one of the ten stated objectives of the Company is "To have fun."

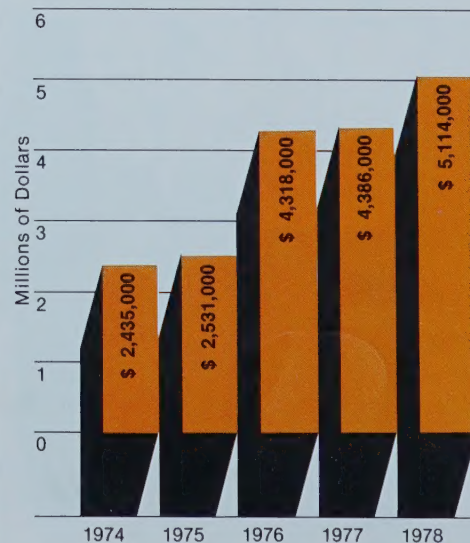
In one respect, Revelstoke and the rest of the building material industry need "to get with it" and that concerns the employment and advancement of women in our retail business. For a long



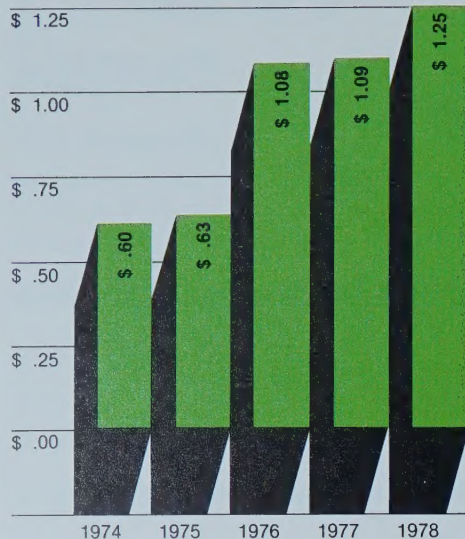
time the typical lumber and building material outlet was regarded as one of the last bastions of the exclusive male domain. Over the last ten years, this has been changing as women have become important customers of these stores. At the same time, however, the industry has been slow to attract and develop women employees especially in sales and management positions. This must change and our Company must do a far better job of tapping the potential of women to play a much more important role in our business.

In 1973 Revelstoke initiated an Employee Savings and Stock Purchase Plan, giving salaried employees the opportunity to purchase the Company's common shares on a basis whereby for every \$2 employees contribute to the plan, the Company contributes \$1. The plan is administered by a Trust Company which purchases the shares through the Toronto Stock Exchange. The purpose of the plan is to encourage as many employees as possible to become shareholders of the Company and thereby gain further benefits from the future success of Revelstoke. Approximately 50% of all eligible salaried employees are currently participating in the plan.

Net Earnings



Earnings Per Share



Our Markets

Last year the Company generated 59.9% of its sales in Alberta, 22.0% in British Columbia and 18.1% in Manitoba and Saskatchewan. Revelstoke's primary market encompasses Alberta, western Saskatchewan and eastern British Columbia. The extensive oil, gas, coal and uranium resources in this part of Canada make it one of the richest energy regions in the world. As a consequence, the Company's primary market is expected to experience significantly above average growth and prosperity for at least the next ten years.

Revelstoke's unique coverage of Alberta is indicated by the map on pages 14 and 15 of this report. Our Company operates in over 50 communities throughout the province with 55 stores, 15 concrete plants and three lumber mills. The strong economic conditions in Alberta are responsible, however, for attracting considerable competition in both our retail and concrete businesses.

In 1978 British Columbia's economy started to recover but most of Revelstoke's markets in the province continued to be affected by an over-supply of housing. Commencing in the fourth quarter, this situation showed signs of improving. At this time, the outlook in British Columbia for 1979 is for a resumption in the growth of our overall sales and earnings.

Business conditions in Manitoba and Saskatchewan were mixed in 1978, with the latter province benefiting from developments in its uranium industry. The outlook for both provinces is still, however, heavily dependent upon agriculture which should be stronger in 1979 than last year.

For the past two years the Company has considered expanding its retail business into the western United States or eastern Canada. The timing of entry into a market outside of western Canada depends to a large extent on when an attractive acquisition candidate becomes available. In the meantime, Revelstoke's priority is to gain total coverage of our primary market area with well located stores that have the necessary selling and support facilities to do an outstanding job of serving both do-it-yourself consumers and professional customers of all types.

Inflation

During 1978, inflationary cost pressures continued to force the prices for most of the Company's products upward. The extent to which cost increases could be reflected in higher sales prices was far

more restricted by competitive factors than by the existence of the Anti-Inflation Board's controls.

The largest increase in prices was experienced with lumber and plywood which resulted mainly from an extremely strong American housing market together with the demand from overseas customers for Canadian wood products. The prices for lumber produced by Revelstoke's mills increased by approximately 26.7% from the beginning of 1978 to the end of the year.

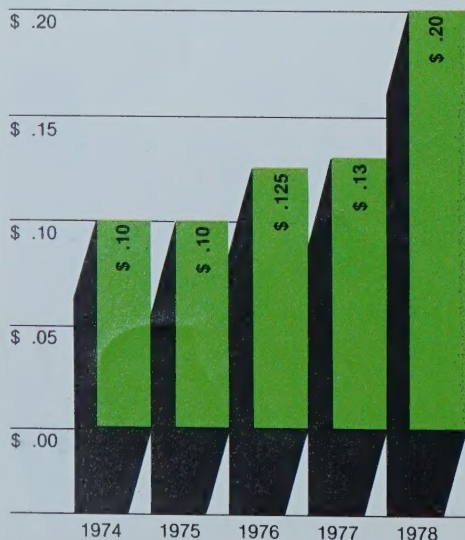
As the Retail Division represents by far the largest proportion of the Company's total business, we closely monitor the impact of inflation on the price of our retail products. The techniques utilized to do this were recently refined as it is not an easy task considering the stores sell about 10,000 different items. Taking a representative selection of the products sold by the stores, we estimate that the inflationary factor in the cost of merchandise sold by Revelstoke's stores was approximately 9.5% during 1978 compared with 3.2% in the prior year. A subsequent section of the Annual Report entitled "Impact of Inflation on Our Business" discusses this subject in greater detail.

Director and Management Changes

The Board of Directors and management appreciate the contribution made to our Company by Arthur J. Vincent who resigned as a Director last year and Arthur J.E. Child who decided not to stand for re-election as a Director at the forthcoming Annual Meeting of the Shareholders. In the fall of 1978 G. Mark Curry, with the Corporate Finance Department of Burns Fry Limited, was appointed a Director. During the first quarter of this year, Daryl K. Seaman, Chairman and Chief Executive Officer of Bow Valley Industries Ltd., joined Revelstoke's Board of Directors.

Effective April 1, 1979 Gerald A. Berkhold, Vice President Operations, was promoted to the newly designated position of Senior Vice President with specific responsibility for improving the Company's programs and systems in the areas of inventory and gross margin management, credit, and management development and training. At the same time, Gordon D. Roberts, Vice President Administration, assumed the position of Vice President Operations with the responsibility for supervising the stores and concrete plants. Mr. Roberts will also continue to direct Revelstoke's data processing and systems departments. The responsibility for the Company's accounting and general administrative

Dividends Per Share



services has been assigned to Brian A. Harris, Assistant Secretary Treasurer.

These management changes are intended to focus attention more effectively on the three factors which have the greatest impact on Revelstoke's performance, namely the development of management resources, the manner in which inventory is ordered and priced, and the control of accounts receivable.

Outlook for 1979

Clearly the ultimate test of an enterprise's performance is its ability to generate growth in earnings and a satisfactory return on shareholders' equity. In a number of areas, our Company's management is not satisfied with the results of the last two years. Consequently we are in the process of taking the necessary steps to raise Revelstoke's performance to a more satisfactory level.

At this time, the outlook for all three Divisions and most of the Company's markets is favourable in comparison to last year. While lumber prices are expected to decline in the latter part of 1979, the mills should be able to match the prior years' results as the anti-inflation controls will no longer be an inhibiting factor. The high level of interest rates however, is going to influence Revelstoke's ability to achieve a meaningful increase in earnings in 1979.

Earlier this year, the Directors approved an increase in the semi-annual dividend paid on April 1, 1979 to \$.15 per share. The previous semi-annual dividend was \$.11 per share paid last October 1. The rise in the dividend is in accordance with the Company's policy of providing our shareholders with a reasonable current yield on their investment, while retaining the major share of Revelstoke's earnings in the Company to finance future growth.

On behalf of the Board of Directors and our shareholders, I want to thank all of Revelstoke's employees for their considerable efforts throughout 1978. In turn, all of us at Revelstoke wish to thank our customers, suppliers and friends for their support and confidence during the past year. May our partnership continue to be rewarding for everyone associated with the Company!

Steele Curry

Steele Curry
President

April 12, 1979



*"It takes a great orchestra to produce
results like Revelstoke"*

Our Retail Business

1978 Highlights

Retail sales increased by 15.7% to \$130,992,000 compared with \$113,181,000 in 1977. The Alberta stores accounted for most of the increase in sales. In the latter half of 1978, sales in the British Columbia and Saskatchewan stores also started to exceed the previous year.

The Retail Division's earnings were slightly below 1977 primarily as a result of reduced gross margins.

One new store was opened in a new market, 6 new stores were built at existing locations, and 4 small marginal stores were closed. The Company also purchased an existing store in another new market and expanded its selling space.

The sales of Revelstoke Homes represented less than 10% of the Retail Division's total volume.

Capital expenditures amounted to \$3,623,000 compared with \$4,247,000 in the prior year.

The Company's Retail Division consists of 105 stores located throughout western Canada with 55 in Alberta, 25 in Saskatchewan, 13 in British Columbia and 12 in Manitoba. These stores are generally referred to as "home improvement centres" and carry a complete selection of lumber products, paneling, building materials, tools, paint, wallpaper, carpeting, hardware, kitchen cabinets, electrical supplies, plumbing products and heating equipment. Revelstoke also sells farm buildings and manufactured houses under the name "Revelstoke Homes." Last year the Retail Division accounted for 73.5% of the Company's total sales compared with 73.8% in 1977.





Who are the customers of Revelstoke's stores?

Each of the Company's home improvement centres serves both do-it-yourself customers and professional buyers. Revelstoke's retail customers are homeowners, farmers, ranchers and, to a limited extent, apartment dwellers. The professional buyers include builders, tradesmen, local industries, institutions and municipalities. In 1978 approximately 60% of the Retail Division's sales were to retail customers and 40% to builders, tradesmen, and industrial and institutional customers. This customer profile varies, however, from store to store.

What has been the growth in Revelstoke's retail business over the last five years?

The total sales of our Retail Division have increased by 3.3 times, rising from \$40,126,000 in 1973 to \$130,992,000 in 1978. This represents an average annual increase of 26.7% which indicates that Revelstoke has experienced a major increase in its share of the western Canadian retail market. It is also interesting to note that this sales increase has been "across the board" in terms of both our entire product mix and the different types of customers which we serve. The average sales per store have similarly experienced a dramatic increase, rising from \$372,000 in 1973 to \$1,248,000 in 1978.

Revelstoke describes its 105 stores as "home improvement centres," what does this term mean?

The term relates to our merchandising philosophy of having each of our stores offer one-stop shopping to homeowners wishing to purchase all of the items required for any type of home building, decorating or repair project. In addition, our sales persons are trained to advise customers about how to do any type of home improvement project.

What type of physical facilities does each Revelstoke store require?

In order to do an effective job of selling our products and having on hand those items which our customers require, each store has a showroom, warehouse facilities and outside storage space sufficient to stock a broad assortment of lumber and building materials. Consequently, our stores are generally free-standing units as opposed to being located within shopping centres.

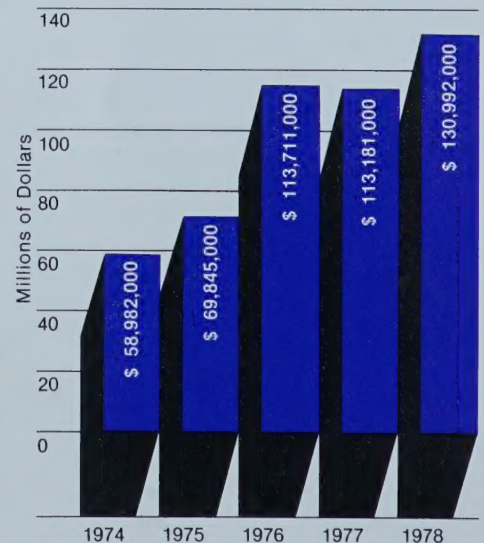
What makes a customer shop at a Revelstoke store?

We believe that the most important factors determining customer patronage, in order of importance, are having knowledgeable sales personnel, maintaining competitive pricing, offering a complete assortment of merchandise within our major product lines and having accessible and convenient store locations. For these reasons and through the Company's advertising, we want our customers to think of Revelstoke first whenever they consider purchasing one of the principal products we sell.

What role does Revelstoke's Head Office play in assisting the stores?

The function of the Head Office is to help our stores and their managers maximize sales on a basis which produces a worthwhile return on investment. In this regard, Head Office departments are responsible for creating effective programs in the area of merchandising, advertising, employee sales training, purchasing, management development and store layout and design.

Retail Division



How do Revelstoke's merchandising policies differ from the other large chains in the industry?

Many of the large chains have gone in the direction of opening the "home centre" type of stores which cater strictly to retail customers and carry a large number of product lines unrelated to the basic home improvement business. As a consequence, these "home centres" are finding themselves involved in direct competition with the major department and discount store chains. We have deliberately restricted our product mix and have continued to regard lumber and building materials as the "gut" product lines of our stores. In short, we are far more specialized than most of our major competitors.

What is the outlook for the retail building material and home improvement industry at this time?

We estimate that the do-it-yourself home improvement market is going to experience an average growth rate of about 10% per annum for at least the next ten years. Without any question, this is going to be one of the fastest growing sectors of retailing in Canada. The factors responsible for generating this growth include the rising cost and shortage of new housing, the increasing wage rates of tradesmen, the increase in leisure time and the greater availability of do-it-yourself products and assistance. More and more homeowners are also realizing that they can save a great deal of money by doing their own home improvement and repair projects.

What are some of the other distinctive characteristics of the retail building material and home improvement business?

This is an extremely large sector of the retail industry. In Canada we estimate that the total retail sales, by all types of outlets, of the products carried by Revelstoke's stores were in excess of \$5 billion in 1978. It is also one of the most fragmented sectors of the retail industry. The six largest retailers of home improvement related merchandise accounted for less than 20% of the total Canadian market last year.

What is the impact of rising house prices and high mortgage rates on the sales of Revelstoke's stores?

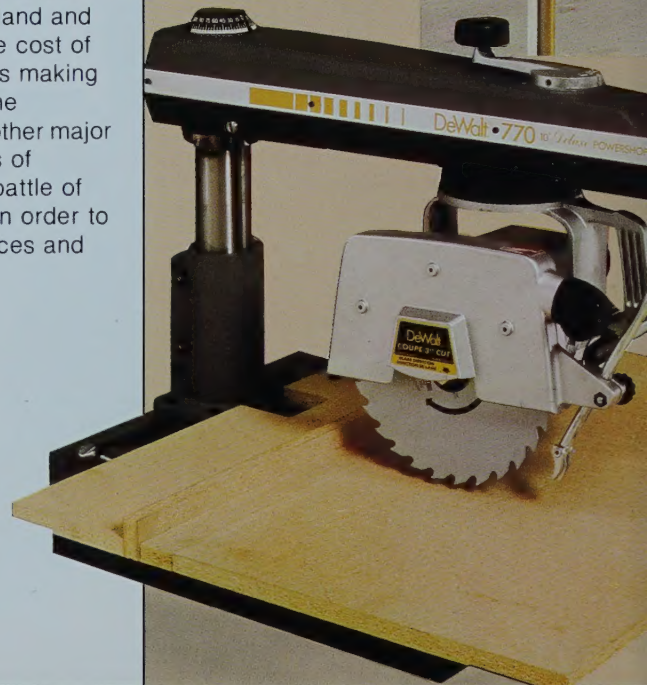
Rising house prices and high mortgage rates tend to lock families into their existing houses. This encourages them to upgrade their present homes as opposed to buying a larger or better home. Rising property values also have demonstrated to homeowners that their home is by far their best and most important investment. This is a strong motivation for homeowners to upgrade and maintain their existing homes. On the other hand, high mortgage rates can adversely affect the sales to Revelstoke's builder customers.

How will higher energy and fuel costs affect the retail building material and home improvement industry?

The impact of higher energy and fuel costs is going to affect this business less than most other types of retailers. The ramifications of the escalation in these costs are that consumers are definitely going to want "one-stop" shopping, are going to spend considerable amounts to ensure their houses are properly insulated, and are going to have less discretionary income almost forcing them to become do-it-yourselfers.

Are there any major problems which may adversely affect this industry five to ten years from now?

Some of the larger metropolitan markets may experience "over storing" especially with the "home centre" type of stores. This is less likely to affect retailers such as Revelstoke which are heavily involved in the lumber and building material business as the number of outlets capable of carrying a broad assortment of this type of merchandise is limited, given the amount of land and the type of zoning required. The cost of opening new stores, however, is making all retailers more sensitive to the problem of "over storing." The other major problem is common to all types of retailers, namely the constant battle of keeping operating costs down in order to be able to offer competitive prices and retain worthwhile margins.





What are Revelstoke's expansion plans for its retail business?

We are interested in becoming involved in another major market outside of western Canada at some point in the near future. In the meantime, Revelstoke's number one priority is to achieve total coverage of our primary market which encompasses Alberta, western Saskatchewan and eastern British Columbia. This region should be one of the fastest growing areas of North America for at least the next ten years.

What is the Company's philosophy in acquiring other chains?

We are interested in purchasing chains which are the leading retailers of building materials and home improvement products within a given region or market area. If we expand into eastern Canada or the western United States, we would look for an already established chain with a strong management team capable of continuing to run their company autonomously. In our opinion, most retail businesses must be managed on a regional basis with knowledgeable executives who are on top of their own local markets.

What held down the earnings of the Retail Division below expectations in 1978?

The two principal items preventing Revelstoke from increasing its retail earnings above the level achieved in 1977 were increases in practically all operating costs and a lower gross margin than had been expected at some of the stores. While competition was partly responsible for the lower gross margins, the Company did not do an effective job of controlling some of the other factors affecting gross margins. Steps are in process to correct this situation.

How do you expect the Retail Division to perform in 1979?

Sales in most of Revelstoke's markets should exceed 1978. On the other hand, interest costs will also be higher than last year. Basically, the challenge for 1979 is to achieve better profit margins through improved productivity per store, per dollar invested in inventory, per employee and per dollar spent on advertising. Based on the programs already in place and currently under development, we are reasonably confident that 1979's retail earnings will compare favourably with last year.

Our Concrete Business

1978 Highlights

Sales for the Concrete Division increased 22.0% to \$34,185,000 compared with \$28,021,000 in 1977. The Company's sand and gravel operations accounted for 9.4% of the Division's total sales, excluding sales to Revelstoke's own concrete plants.

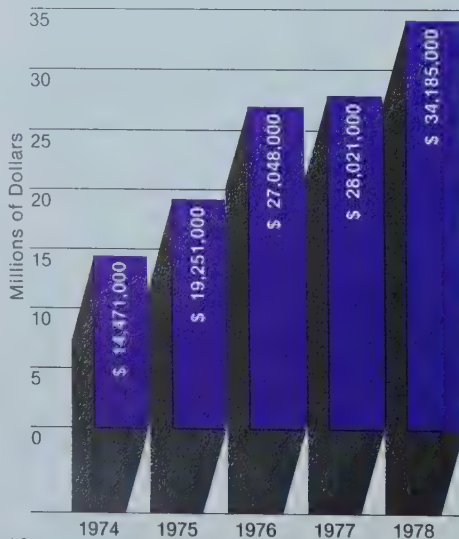
The Concrete Division's earnings were comparable to the previous year, but increased costs and competitive pressures lowered profit margins. For the past two years, the federal government's anti-inflation controls have adversely affected the Division's earnings.

The Company opened a new concrete plant in Leduc near Edmonton, Alberta.

Capital expenditures were \$1,116,000 compared with \$1,127,000 in 1977. In addition, \$1,199,000 of mobile equipment purchases were lease financed compared with \$1,518,000 in the prior year.

The Concrete Division consists of 21 redi-mix concrete plants and six sand and gravel operations. Fifteen of the concrete plants are located in Alberta, four in Saskatchewan and two in British Columbia. The sand and gravel deposits are used to supply both the Company's concrete plants and outside customers. In 1978 the Concrete Division represented 19.2% of Revelstoke's total sales compared with 18.3% in the previous year.

Concrete Division



What is Revelstoke's position in the Western Canadian concrete business?

Revelstoke's Concrete Division operates primarily in Alberta and Saskatchewan where the Company is the largest independent supplier of concrete. The other major suppliers in these provinces are subsidiaries of Canada's two largest cement companies. Over the last five years, sales of Revelstoke's Concrete Division have grown from \$10,946,000 in 1973 to \$34,185,000 in 1978 which represents an average annual growth rate of 25.5%.

What is concrete?

Concrete consists of cement, sand, gravel, water and various other additives which are mixed on a controlled basis. The principal ingredient in concrete is cement which is responsible for concrete's unique strength and enduring qualities. Concrete is one of the most versatile of construction materials and is used for foundations of all types, residential patios, driveways, farm building projects and government public works programs.

Who are the customers of the Company's concrete plants?

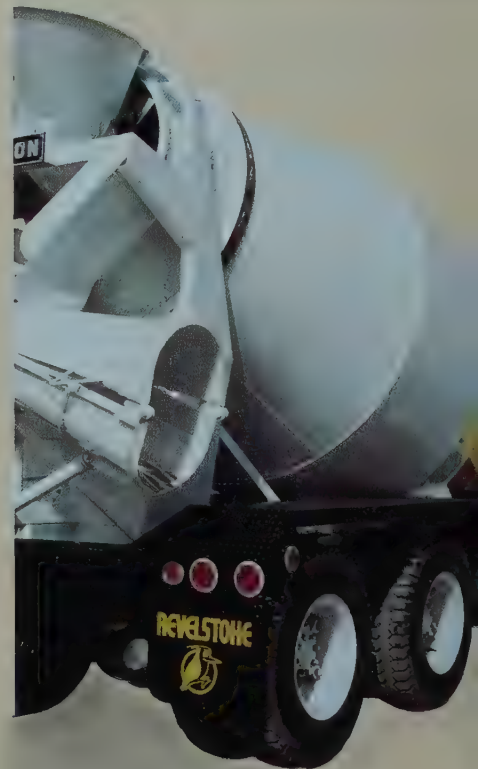
The plants serve a substantial number of customers in a variety of different types of markets. None of the plants are dependent upon a continuing supply of large projects or a limited number of large customers to maintain a satisfactory level of operations. While the exact breakdown of customers varies from plant to plant, local builders usually account for a majority of sales with the remainder being sold to homeowners, farmers and government agencies.

What are the physical facilities at each of Revelstoke's concrete plants?

Every plant has a batch plant, a fleet of concrete mixer trucks and facilities for the storage of cement, sand, gravel aggregates and other additives. The batch plant contains the equipment necessary for the controlled measurement and mixing of the ingredients to make concrete. The larger plants also have their own garages for maintaining and housing trucks.

How do Revelstoke's plants operate?

Upon receiving a customer's order, the dispatcher uses radio to call for a concrete mixer truck to back into the batch plant. The batcherman uses a control panel to select the ingredients necessary to produce the desired strength and type of concrete for the customer's project. The concrete is batched in the plant and then funneled into the mixer of the truck.





The dispatcher directs the truck driver to the site of the project where the concrete is poured.

What are the critical factors in operating a successful concrete plant?

The plant must have the necessary physical facilities and trained personnel to provide a high level of customer service and a quality product at competitive prices. This includes being able to give customers reliable delivery at the critical times when concrete is required in the construction process. The capabilities of the manager, however, are the most important factor in ensuring the success of any plant.

Are any major problems confronting the concrete industry?

The most significant problem in the industry is that gains in productivity are not offsetting increases in costs, with the consequence that it has proved impossible to stabilize the price of concrete. This situation will likely be aggravated by further escalation in labour costs, influenced by rates in the construction and transportation industries, and in material costs resulting from the suppliers' much higher energy and environmental costs.

How do Revelstoke's concrete plants relate to the Company's retail business?

The stores and the concrete plants often are major suppliers to the same customers involved in construction projects. In communities where Revelstoke has both a store and concrete plant, the same manager is usually responsible for both operations. This ensures close co-ordination of service to all customers.

What are Revelstoke's plans for expanding its concrete business?

The Company is considering the merits of building a second concrete plant to serve the Edmonton area. In addition, Revelstoke is interested in acquiring additional plants in Alberta which represents the Concrete Division's primary market.

What is the outlook for the Concrete Division in 1979?

The concrete plants and sand and gravel operations should experience a reasonable increase in volume and earnings in 1979. The two inhibiting factors are going to be higher interest rates and a continued level of competition.



Our Lumber Business

1978 Highlights

The Lumber Division's sales were \$13,101,000 compared with \$12,073,000 in 1977. This excludes inter-company sales from the mills to Revelstoke's stores which amounted to \$8,639,000 compared with \$6,617,000 in the prior year.

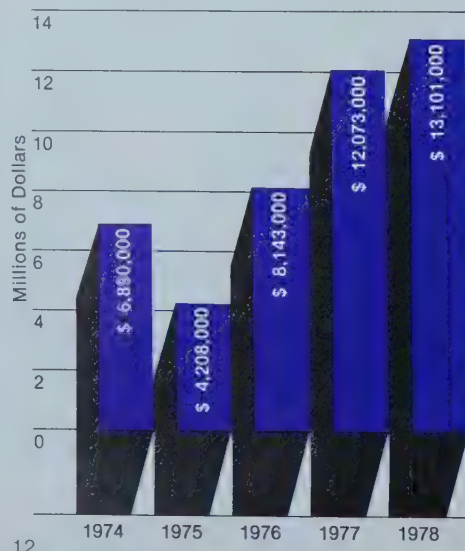
The Lumber Division achieved a major improvement in earnings in comparison with the last three years.

The Company's four lumber mills shipped 106,666,000 board feet of lumber compared with 113,722,000 board feet in 1977. Chip revenues amounted to approximately 4.1% of the Lumber Division's sales compared with 3.8% in the previous year.

Capital expenditures in the Lumber Division were \$2,175,000 compared with \$883,000 in 1977. The largest expenditure project in 1978 involved new production equipment at the Radium mill.

The Company's Lumber Division operates one lumber mill in British Columbia at Radium and three in Alberta at Rocky Mountain House, Sentinel and Sundre. In addition, Revelstoke has a post and pole treating plant adjacent to the Sundre lumber mill. In 1978 the Lumber Division accounted for 7.3% of the Company's total sales.

Lumber Division



What has taken place in Revelstoke's Lumber Division over the last five years?

During 1974, lumber prices started to decline, forcing the Company to curtail shipments in 1975 to a level of approximately 51,177,000 board feet. In early 1976, Canadian lumber prices began firming and by 1977 Revelstoke's four mills were again producing at close to capacity with shipments of 113,722,000 board feet. In 1978 the mills shipped about 106,666,000 board feet with the Radium mill being shut down for part of the last quarter to install new equipment. From July 1976 to March 1979, Canadian lumber prices have increased by approximately 50-60%. Last year Revelstoke's Lumber Division achieved a reasonable profit for the first time since 1974.

What type of lumber do the mills produce?

The Radium mill produces spruce, fir and a small amount of cedar. The three Alberta mills produce spruce almost exclusively. On an aggregate basis, spruce accounts for about 90% of the Company's production.

What are the timber quotas of the four mills?

Revelstoke's annual timber quotas total approximately 103,200,000 board feet with the Radium mill having 64,000,000, Sentinel 17,900,000, Rocky Mountain House 12,300,000 and Sundre 9,000,000. These quotas are granted by the provincial governments for a 20 year period and renewed subject to performance.

Who purchases the lumber sold by the mills?

In 1978, 32% of the Company's lumber shipments were sold to domestic customers including wholesalers, large developers and industrial accounts on a direct basis. In addition 29% of the shipments were sold to U.S. export customers and 39% to the Company's own stores.

What is likely to be the most significant long-term problem facing the Canadian lumber manufacturing industry?

The greatest problem for the Canadian industry is the fact that labour costs and productivity are still significantly out of line in comparison with most American lumber manufacturers. Given the cyclical nature of lumber prices, Canadian producers are also especially vulnerable to inflationary cost pressures.

How does Revelstoke's Lumber Division relate to the Company's retail business?

Historically, Revelstoke's stores have purchased anywhere from 35% to 50%

of their lumber requirements from the Company's own mills. Consequently, the mills offer the stores an assured supply of lumber which in certain years can be extremely difficult to obtain. In purchasing lumber from our mills, the stores also eliminate the sales commission which is paid to lumber wholesalers.

Has Revelstoke ever considered getting out of the lumber manufacturing business?

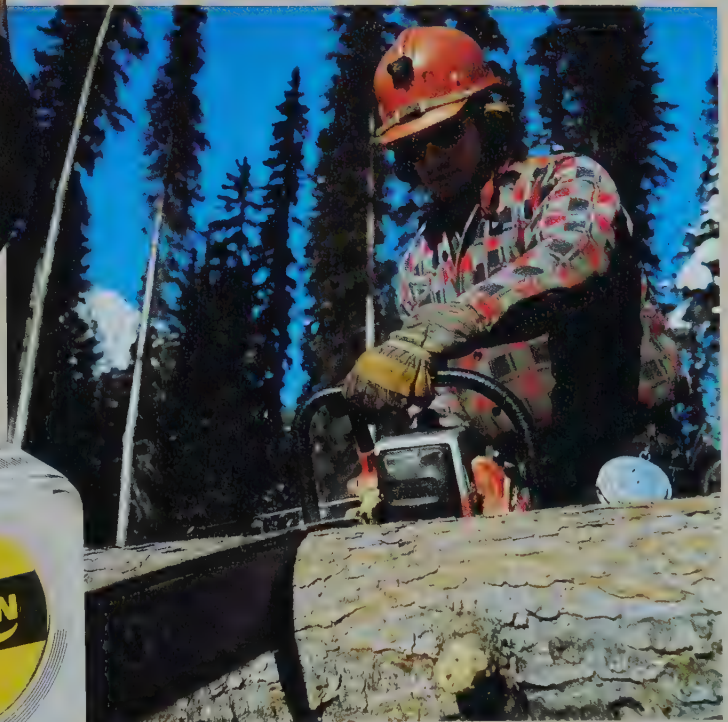
The past cyclicity of the mills' earnings prompted the Company last year to assess the long-term viability of this part of Revelstoke's business. The two prime considerations were the outlook for lumber prices over the next ten years and the strategic value of the mills for the Company's retail business. Management concluded that Revelstoke should definitely remain in the lumber manufacturing business. Basically, we believe that Canadian lumber prices are likely to experience far higher levels in the 1980's than has been the case in the 1970's. While lumber prices will always exhibit some cyclicity, positive factors such as demographic trends, changes in the availability of mortgage funds in the U.S., and the decline in the value of the Canadian dollar relative to other currencies will all act to the benefit of the Canadian lumber industry over the next decade. In addition, Revelstoke's stores will continue to enjoy a unique competitive advantage over other similar retailers if the Company has its own mills.

What is likely to happen to lumber prices in 1979?

For the first half of the year, lumber prices should remain at close to their current level. In June almost all of the labour contracts in the British Columbia forest products industry expire. If these contracts are renewed without a strike, lumber prices should gradually decline about 15% by the end of 1979. On the other hand, a strike of any duration in the British Columbia lumber industry would cause a significant increase in prices.

What is the outlook for Revelstoke's Lumber Division in 1979?

With the improvement in the Radium mill's production facilities, the earnings of Revelstoke's Lumber Division in 1979 should be at least comparable to last year. The major question is whether the British Columbia industry goes on strike in June when their labour contracts expire. While this would obviously have an impact on the Company's mill at Radium, Revelstoke's Alberta mills would be in a position to benefit from higher prices if a strike occurs in British Columbia.



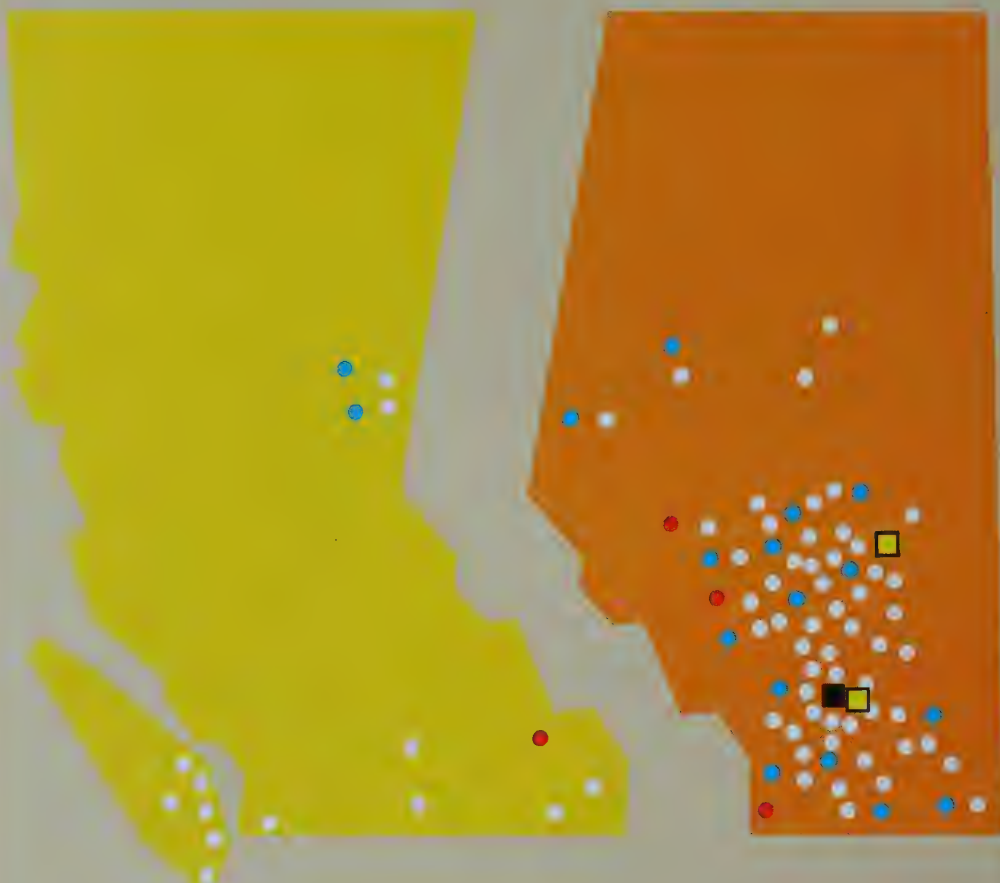
Where We Are

Sales by Province

| | 1978 | 1977 |
|---------------------------------|-------|-------|
| British Columbia | 22.0% | 23.0% |
| Alberta | 59.9% | 57.1% |
| Saskatchewan/ Manitoba | 18.1% | 19.9% |
| | 100% | 100% |

British Columbia

Alberta



British Columbia

Cranbrook
 Creston
 Dawson Creek
 Duncan
 Fort St. John
 Kelowna
 Ladysmith
 Nanaimo
 Parksville
 Penticton
 Port Alberni
 Radium
 Victoria
 White Rock

Alberta

Acme
 Airdrie
 Alix
 Athabasca

Bentley
 Brooks
 Calgary
 Calgary East
 Calgary Eastport
 Calgary North
 Calgary
 Northmount
 Calgary South
 Camrose
 Carstairs
 Castor
 Claresholm
 Coronation
 Crossfield
 Daysland
 Didsbury
 Drumheller
 Eckville
 Edmonton
 Edm. Millwoods

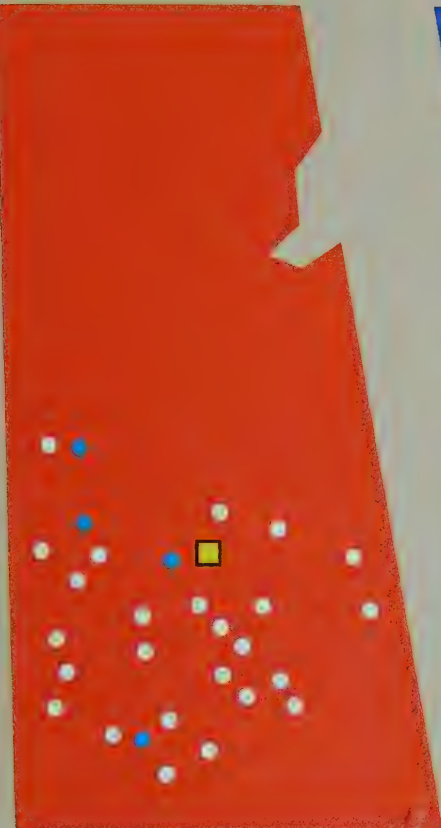
Edm. North
 Edm. South
 Edm. West
 Grande Prairie
 Hanna
 Hardisty
 High River
 Holden
 Innisfail
 Lacombe
 Lac La Biche
 Leduc
 Legal
 Lethbridge
 Medicine Hat
 Nanton
 Okotoks
 Olds
 Peace River
 Picture Butte
 Ponoka

Legend

- Store
- Concrete Plant
- Lumber Mill
- Head Office
- Prebuilt Plant

Saskatchewan

Manitoba



- Red Deer
- Rocky Mountain House
- Sentinel
- Sundre
- Sylvan Lake
- Taber
- Vauxhaul
- Vegreville
- Vermilion
- Viking
- Vulcan
- Wainwright
- Wetaskiwin
- Whitecourt

- Gull Lake
- Humboldt
- Leader
- Lumsden
- Meadow Lake
- Melfort
- Moose Jaw
- Ponteix
- Preeceville
- Prelate
- Prince Albert
- Regina
- Rosetown
- Rosthern
- Saskatoon
- Saskatoon
- Revelstoke
- Saskatoon
- T.M. Ball
- Swift Current
- Tisdale

- Unity
- Watrous
- Yorkton

Manitoba

- Boissevain
- Brandon
- Cypress River
- Dauphin
- Flin Flon
- Hamiota
- Morden
- Portage La Prairie
- Swan River
- The Pas
- Thompson
- Virden

Saskatchewan

- Battleford
- Davidson
- Elrose
- Fox Valley

Our Company History

75

Years

Seventy-five years ago, a big risk taker from Minneapolis by the name of Samuel H. Bowman somehow decided he wanted to go into the sawmill business in a town few people had heard of. Just getting to Revelstoke, British Columbia, in those days must have been a challenge for Mr. Bowman. Nevertheless, he was excited enough by the opportunities he saw around Revelstoke in 1903 that two years later he formed the Bowman Lumber Company and the Revelstoke Sawmill Company. These companies proceeded to purchase the Empire Lumber Company and the Revelstoke Lumber Company which together owned three sawmills in the Revelstoke area. With these decisions, Mr. Bowman launched the predecessor enterprises to today's Revelstoke Companies Ltd.

Actually, one could date our Company's origin even further back than 75 years ago when Mr. Bowman first visited Revelstoke. The original Revelstoke Lumber Company was started as a partnership in 1890 by Dan Robinson and J.C. Steen but was not formally incorporated until 1901. Prior to being purchased by Mr. Bowman, the Revelstoke Lumber Company underwent a number of ownership changes and almost went out of business when its first sawmill was destroyed by fire in 1892.

A group of Minneapolis investors incorporated the Empire Lumber Company in 1904 and that year purchased the Harbor Lumber Company which operated two sawmills located in Revelstoke and nearby Comaplix. To protect their interests, Empire Lumber's owners sent Fred E. Sine from Minneapolis to Revelstoke to manage the two sawmills.

The following year Mr. Bowman acquired the three sawmills owned by Empire Lumber and the Revelstoke Lumber





Company, and sent Fred W. Hess from Minneapolis to Revelstoke to take over as manager of the largest mill which was located just outside Revelstoke at a point on the Columbia River known as the Big Eddy. Mr. Sine must have impressed the new owner as Mr. Bowman left him in charge of the two other sawmills.

For the next 43 years the two "Fredes," as Mr. Hess and Mr. Sine were called, together managed these two Companies as they expanded into other businesses and participated in the settlement of western Canada. Both men must have possessed strong characters and considerable talents since running sawmills in a wild frontier community like Revelstoke was challenging at the best of times. For a mill manager, just making sure the crew turned up on time and stayed sober on the job, was quite a feat.

In 1906 the Bowman Sine Lumber Company was incorporated and, together with the Revelstoke Sawmill Company, started opening lumber yards along the rail lines as they were being built across Alberta and Saskatchewan. During the first year, lumber yards were opened at Swift Current and Gull Lake, Saskatchewan; Lacombe, Medicine Hat and Wetaskiwin, Alberta; and Glacier, British Columbia.

During 1905 and 1906, the Big Eddy mill was rebuilt into one of the most modern, "safest" and largest sawmills in existence at that time in British Columbia. The life expectancy of sawmills in those days was not too long, however, and in the summer of 1910 the Big Eddy mill burnt to the ground. In the meantime, the Companies had continued to open additional lumber yards on the Prairies, including ones in Calgary, Carstairs and Didsbury, Alberta.

With the destruction of the Big Eddy mill, Mr. Bowman must have become disenchanted with the sawmill business. Later in 1910 the mill at Comaplix was sold and in October Mr. Hess moved to Calgary with his staff to establish a new head office for the Revelstoke Sawmill Company.

In June of the following year, the last remaining sawmill in Revelstoke also burnt down and Mr. Sine joined Mr. Hess in Calgary where the management of the Bowman Lumber Company, the Bowman Sine Lumber Company and the Revelstoke Sawmill Company were combined into one head office. Several months later, the Companies made their first major acquisitions by purchasing the Globe Lumber Company and the Alberta Lumber Company which owned 15 lumber yards in Alberta and one at Revelstoke.

In 1912 the first woman staff member started at the Calgary head office as Mr. Hess' secretary. According to one employee's diary, "this caused a big improvement in deportment, appearance and language at the head office." During the same year, the Bowman Sine Lumber Company changed its name to the Atlas Lumber Company.

While continuing to open more lumber yards, the Companies re-entered the lumber mill business in 1912 by building a small planing mill beside their lumber yard at Rocky Mountain House, Alberta. Seven years later, the Revelstoke Sawmill Company formed a subsidiary, called the Builders Hardware Stores Limited, and acquired a number of retail hardware stores in Alberta and Saskatchewan.

The start of the depression in 1929 brought an abrupt halt to any further expansion and for the next six years the two "Freds" struggled to keep the Companies in business. By 1935 the Revelstoke Sawmill Company and the Atlas Lumber Company were again in a strong enough financial position to resume paying cash dividends. Since that time, these Companies and their successor, now known as Revelstoke Companies Ltd., have continued to pay many dividends without interruption to the present day.

Following the end of World War II, both Companies again began to expand the number of lumber yards which by now were also carrying hardware. In 1948 Mr. Hess and Mr. Sine decided to make a major commitment to the lumber mill business by forming the Kamloops Lumber Company which proceeded to build a substantial sawmill and planing mill operation in Kamloops. Later that year, Mr. Sine died and Mr. Hess became President of both Companies.

As concrete was starting to be used more frequently for buildings in western Canada, Mr. Hess decided to open the Companies' first transit mix concrete operations in 1952. These were located in Medicine Hat and Red Deer, Alberta; Swift Current, Saskatchewan; and Kamloops, British Columbia. The first plants somehow managed to produce concrete with small portable mixers and a great deal of second hand equipment.

Gradually the lumber yards expanded their product lines and became increasingly involved in the hardware business with their own showrooms. This finally prompted the Companies to sell Builders Hardware Stores Limited and its remaining chain of six hardware stores in 1954.





During 1956, Mr. Hess died and the eldest son of Fred E. Sine, Brett F. Sine, succeeded Mr. Hess as President of the Revelstoke Sawmill Company and the Atlas Lumber Company. Mr. Sine had started with Atlas Lumber as a clerk and yardman at the Wainwright, Alberta yard in 1929. By the time he became President, Mr. Sine was well versed in both the lumber business and all parts of western Canada.

When the head office moved to Calgary, the Companies concentrated most of their expansion activities in the province of Alberta. Shortly after becoming President, Mr. Sine decided the lumber yards should have their own source of supply in Alberta. In 1958 the Companies purchased an existing lumber mill at Sundre, Alberta and built a lumber mill at Sentinel, near Coleman, Alberta.

Samuel H. Bowman, Jr., the last member of the Bowman family to be involved as an officer of the Companies, had died in 1940. The executors of the Bowman family estate, which owned Atlas Lumber and the Revelstoke Sawmill Company, ultimately came to the conclusion that the family would be better off if somehow the estate could sell its ownership of these two Canadian firms.

Consequently in 1961, Atlas Lumber and the Revelstoke Sawmill Company were amalgamated into a new company under the name of Revelstoke Building Materials Limited. At that time, the combined firm had just over 500 employees and consisted of 78 lumber yards, five concrete plants, a sand and gravel operation, a millwork and prefabricated house manufacturing plant, and six lumber mills.

To effect the amalgamation, Revelstoke sold an issue of common shares, preferred shares and debentures to the public through a Canadian underwriter and used part of the proceeds to buy out the Bowman estate. This had the effect of transferring most of the Company's ownership to Canadian shareholders and shortly afterwards the shares were listed on the Toronto Stock Exchange.

In 1963 Revelstoke significantly expanded its retail business by purchasing the Monarch Lumber Company which operated 74 lumber yards in Alberta, Manitoba and Saskatchewan. This acquisition increased the number of Revelstoke's lumber yards to 149. During 1970, the Company accepted an attractive offer from Weyerhaeuser to sell its largest mill, located at Kamloops. Most of the

proceeds were then used for a major expansion of Revelstoke's mill in the southern interior of British Columbia at Radium.

In late 1971 and early 1972, a private Canadian controlled investment holding company, Venture Funding Corporation Limited, acquired control of Revelstoke. This was accomplished by Venture Funding purchasing the shares held by Mr. Sine and two other members of senior management, Charles E. Sine and Jacob P. Glaum, and then making a tender offer to the shareholders at the same price.

As a result, Mr. Sine retired as President on December 30, 1971, and was appointed Chairman of the Board of Directors. Venture Funding's President, D. Steele Curry, succeeded Mr. Sine as President of Revelstoke and Gerald A. Berkhold joined the Company as Vice President. Mr. Berkhold is also an officer of Venture Funding.

Under the new management, the name of the Company was changed in 1972 to Revelstoke Companies Ltd. One year later Revelstoke acquired Stewart & Hudson Ltd., which operated six lumber and building supply outlets on Vancouver Island and one in the lower Fraser Valley of British Columbia.

During 1976, 73 years after Sam Bowman's initial visit to Revelstoke, British Columbia, the Company's sales exceeded \$100,000,000. In 1979, three years later, Revelstoke's sales are expected to exceed \$200,000,000. One hopes the two "Fred's" would be proud of what has happened to the Companies they launched in the rugged frontier days of Revelstoke.

The Impact of Inflation on Our Business

The first point to remember about inflation is that it is usually difficult to measure and, in most businesses, impossible to quantify into a single percentage number or index. For any industry, inflation is characterized by a complex "bundle" of forces, most of which are damaging to its long-term viability if they continue over an extended period of time. Secondly, inflation seriously distorts every corporation's historical measurements of financial values, productivity and performance. This automatically breeds confusion on the part of shareholders, management, unions and governments as to the actual position of any given company.

The indexes on page 21 highlight the trend of prices relating to certain parts of Revelstoke's business in comparison with the Consumer Price Index. There is no one index that conclusively describes the aggregate price trend of any major industry. To gauge the overall impact of inflation on any business, one would have to prepare a large number of different indexes covering each major cost component and each product line.

The Retail Division

Over the last five years, Revelstoke's retail business has experienced significant cost inflation, especially relating to the cost of goods sold, personnel costs of both a direct and indirect nature, and the cost of working capital. None of these factors is unique to Revelstoke nor its particular sector of the retail industry.

Retailers are usually better able to cope with certain aspects of inflation than companies in many other industries, the principal reason being that retailers invariably have most of their assets in the form of inventories which are being "turned over" and adjusted in price throughout the year. While other industries are sensitive to the charge of inventory profits, from a value added standpoint retailers can legitimately claim: "You bet we have inventory profits! Every last penny of our profits is from inventory."

In the case of Revelstoke, the stores' inventory turnover in 1978 was approximately four times. During 1978, we estimate that the annualized rate of inflation on the cost of merchandise sold by the Company's stores was 9.5% compared with 3.2% in the prior year. The impact of inflation on Revelstoke's retail business is complicated by the fact that about 50% of the sales are in commodity type products whose prices can fluctuate up and down in any given year. A further complicating factor is that each store carries approximately 10,000 different items.

Retailers like Revelstoke which offer customers credit also have a significant proportion of their assets in accounts receivable. Properly managed, this is another category of assets which is continually turning over. To a certain extent the carrying costs of retail accounts receivable are offset by the interest charged customers on overdue balances.

One of the ramifications of inflation in Canada has been a squeeze on consumers' real discretionary income. This has negatively affected almost all sectors of retailing with the exception of companies specializing in the do-it-yourself business. With the substantial increase in house prices and wage rates for tradesmen, more and more homeowners are doing their own home improvement and repair projects not only to save money but also to enhance the value of their homes. In this respect, inflation is actually creating an increase in demand for the products carried by Revelstoke's stores.

The Concrete Division

Revelstoke's concrete business is tied into the construction industry which probably has experienced as much or more inflation than any other industry in Canada over the last five to ten years. On the cost side, the concrete business has had to deal with above average escalation in wage rates, fuel expenses, and truck and equipment costs. The ability of Revelstoke's concrete plants to pass all of these increased costs on to customers through higher prices is obviously constrained by the competitive environment. As a result, profit margins in the concrete business have probably declined for all companies including Revelstoke.

The Lumber Division

The lumber manufacturing industry is in the uncomfortable position of being in a strictly commodity business which makes it especially vulnerable to inflationary cost pressures. Lumber

prices are cyclical and experience considerable fluctuations both up and down depending upon demand in both North America and the overseas markets. Meanwhile, each year most of the industry's production costs steadily increase with the exception of stumpage rates. If the lumber industry in Canada restated its earnings to reflect replacement cost accounting for physical facilities and to omit the gain on U.S. and other foreign exchange, virtually every company in the industry would have difficulty reporting any earnings despite the current high level of lumber prices.

The Company's Financial Position

Shareholders and financial analysts are obviously interested in the relationship of a company's equity to its debt. In the case of retailers, a common oversight is the failure to distinguish between companies which own most of the properties associated with their stores and those firms which lease all of their stores. The former category of retailer usually is in a much stronger financial position than is reflected by the financial statements as its real estate is valued on the basis of depreciated cost. In an inflationary period of rising property values, this can significantly understate a company's equity position. At December 31, 1978 the appraised value of Revelstoke's 43 principal properties was approximately \$21,194,000 in excess of their stated book value in the financial statements at that date.

Inflation and Financial Statements

Unfortunately, the accounting and financial profession has not been able to find an acceptable method of reflecting the impact of inflation in corporate financial statements. This is hardly surprising as it is an impossible task to do so without raising more problems than solutions. Using aggregate indexes such as the Consumer Price Index to adjust the income statement is rarely satisfactory. Using replacement costs to adjust depreciation and the value of fixed assets is misleading as many facilities would not be viable or rebuilt at today's replacement costs. If one starts to adjust one set of figures, where does one stop? Should long-term debt be restated at a lower figure to reflect the fact that the debt will be repaid in deflated dollars? In short, the list of questions raised by attempting to adjust financial statements for inflation, in our opinion, makes the entire exercise both impractical and questionable.

This does not mean, however, that companies should not be highly sensitive to the impact of inflation on their

businesses. Revelstoke's management carefully monitors cost and price changes in all sectors of the Company's operations on literally a day to day basis. This is especially important in the case of the commodity related products sold by the stores.

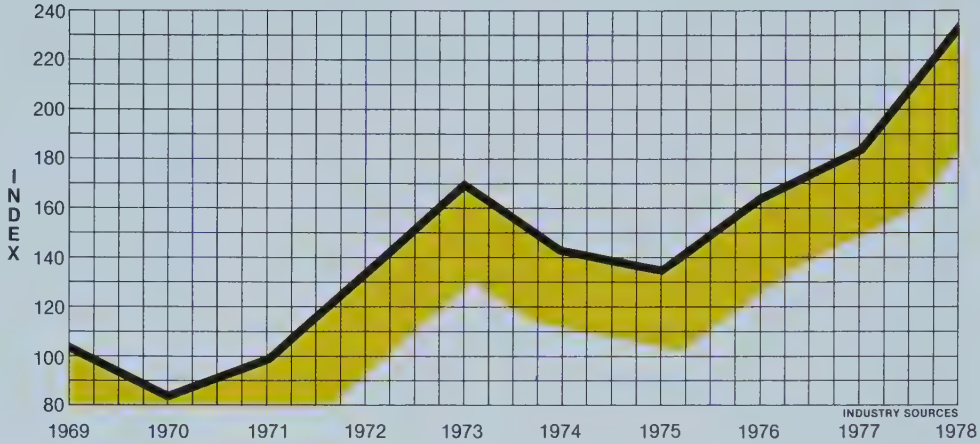
In addition, Revelstoke attempts to keep its cost of doing business as low as possible through exercising tight controls over operations and overhead, and by searching for means to improve our service and output at a reduced cost. Essentially we strive to obtain a worthwhile return on our shareholders' investment without having to require a high "markup" on the price of the products and services we offer our customers.

Conclusion

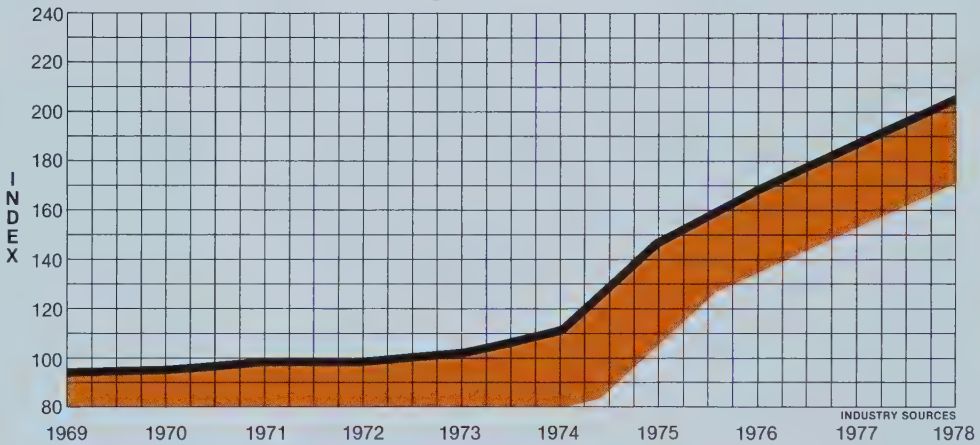
One fact concerning inflation is, however, undeniable. If the rate of inflation continues at its current pace, only the most effectively managed companies will be able to provide their shareholders with an adequate return on their investment. The net result of inflation on all businesses, therefore, is to place a premium on the need to maximize productivity in all facets of a company's operations. This requires highly motivated employees, aggressive leadership and innovative management techniques.

The private sector's first line of defense against inflation is to achieve gains in productivity. If governments wish to make progress in slowing inflation, they should do everything possible to encourage corporations to improve their productivity. Unfortunately, the federal government's recent anti-inflation program had the effect of actually penalizing companies that achieved better productivity under the controls.

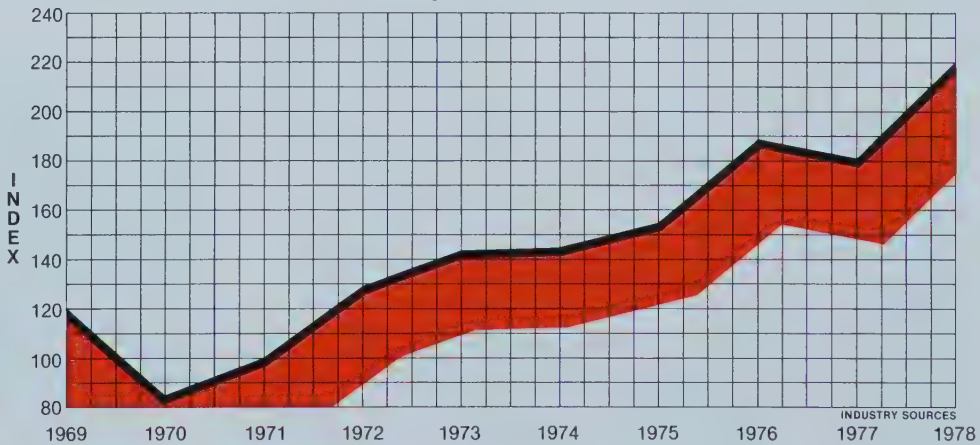
Spruce Lumber Prices Per 1000 FBM
Annual Average Price Index 1971 = 100



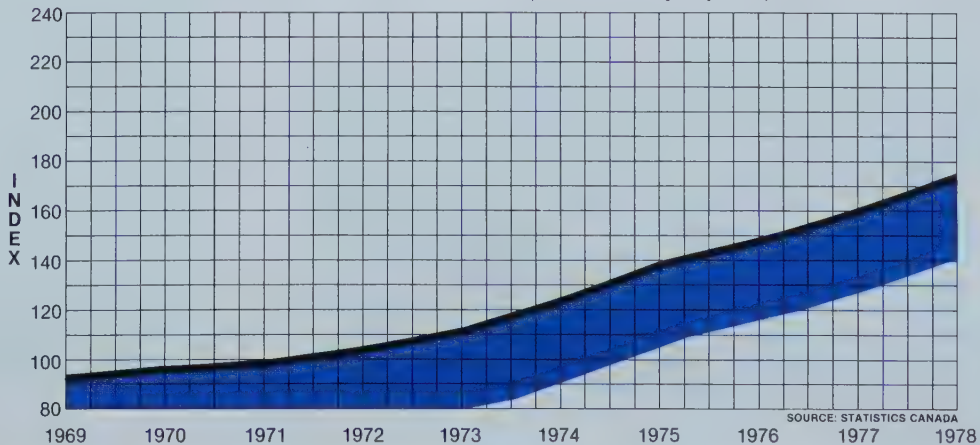
Cement Prices Per Tonne
Annual Average Price Index 1971 = 100



Spruce Plywood Prices Per 1000 Sq.Ft.
Annual Average Price Index 1971 = 100

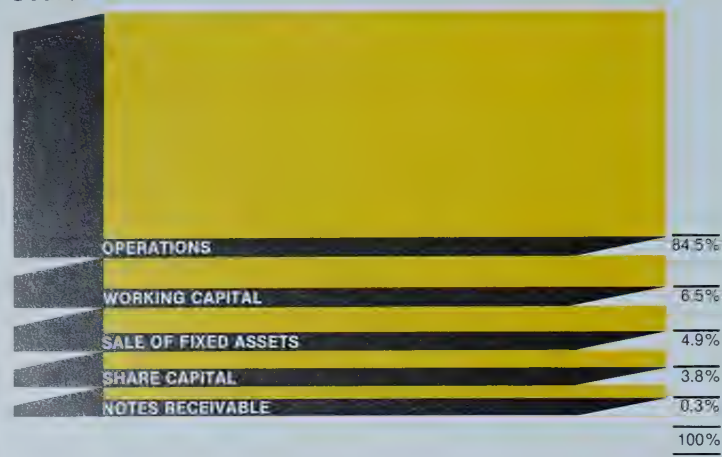


Annual Average Consumer Price Index
Canada — All Items 1971 = 100 (Not Seasonally Adjusted)



Highlights of Our Financial Position 1978

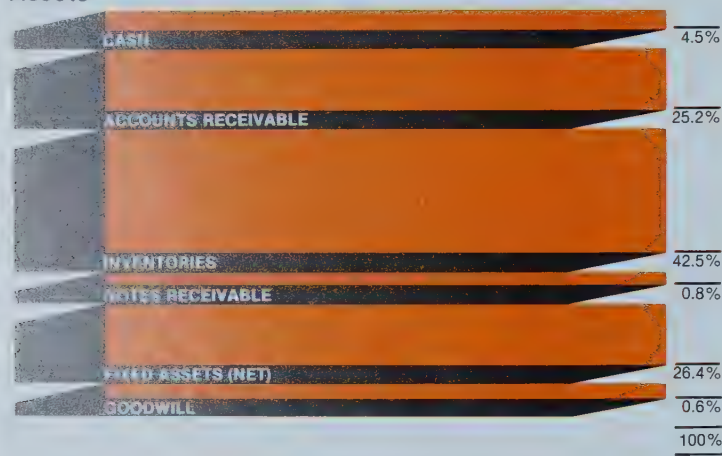
Source of Funds



Application of Funds



Assets



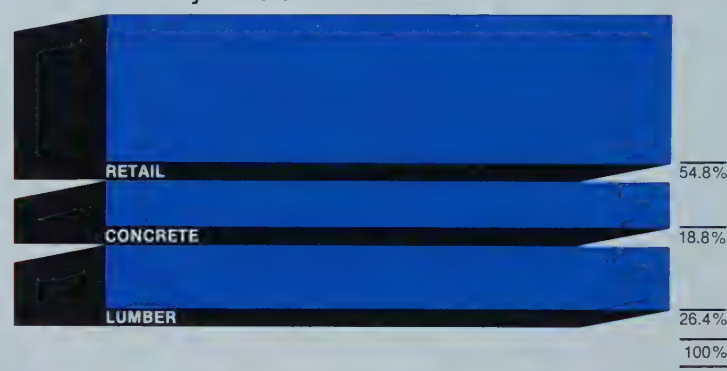
Liabilities & Shareholders' Equity



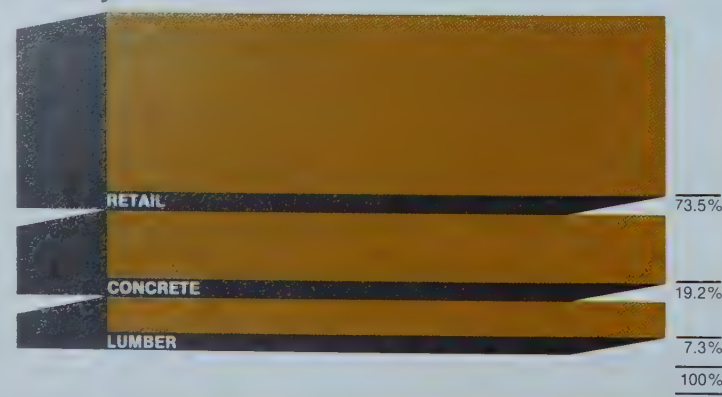
Inventory by Division



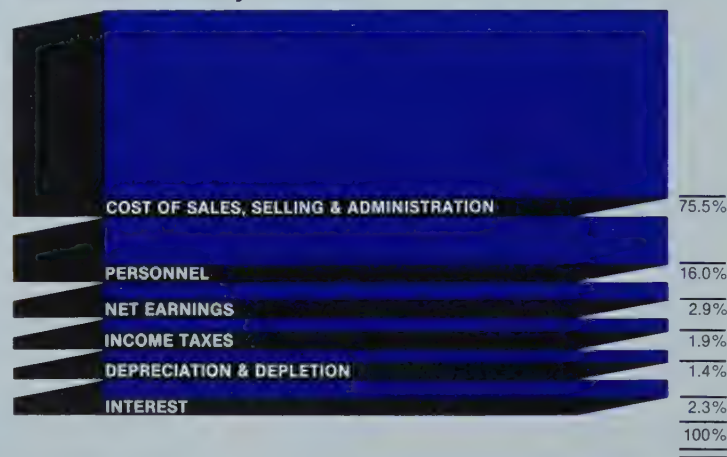
Fixed Assets by Division



Sales by Division



Breakdown of Every \$1 Sales



Consolidated Statement of Current and Retained Earnings

For The Year Ended December 31

| | 1978 | 1977 |
|--|----------------------|---------------|
| Current Earnings | | |
| Sales — Retail Division | \$130,992,000 | \$113,181,000 |
| Concrete Division | 34,185,000 | 28,021,000 |
| Lumber Division | 13,101,000 | 12,073,000 |
| | 178,278,000 | 153,275,000 |
| Costs and Expenses | | |
| Cost of Sales, Selling, General and Administrative | 163,429,000 | 140,441,000 |
| Depreciation, Depletion and Amortization (Note 1) | 2,497,000 | 2,119,000 |
| Interest (Long Term: 1978 — \$1,691,000; 1977 — \$1,378,000) | 4,133,000 | 3,891,000 |
| | 170,059,000 | 146,451,000 |
| | 8,219,000 | 6,824,000 |
| Gain on Disposal of Fixed Assets | 236,000 | 496,000 |
| Earnings before Income Taxes | 8,455,000 | 7,320,000 |
| Provision for Income Taxes | | |
| Current | 2,981,000 | 3,612,000 |
| Deferred | 360,000 | (681,000) |
| | 3,341,000 | 2,931,000 |
| Earnings before Minority Interest | 5,114,000 | 4,389,000 |
| Minority Interest | — | 3,000 |
| Net Earnings for the Year | \$ 5,114,000 | \$ 4,386,000 |
| Earnings Per Common Share (Note 1) | \$1.25 | \$1.09 |
| Retained Earnings | | |
| Balance at Beginning of Year | \$ 23,517,000 | \$ 19,764,000 |
| Addition | | |
| Net Earnings for the Year | 5,114,000 | 4,386,000 |
| | 28,631,000 | 24,150,000 |
| Deductions | | |
| Dividends on Preference Shares | 116,000 | 120,000 |
| Dividends on Common Shares | 802,000 | 513,000 |
| Balance at End of Year | \$ 27,713,000 | \$ 23,517,000 |

Assets

APPROVED BY THE BOARD:

Director

Bot Line

Director

Paul Curry

| | 1978 | 1977 |
|---|---------------------|---------------------|
| Current Liabilities | | |
| Bank Indebtedness | \$ 5,167,000 | \$ 5,958,000 |
| Short Term Loans | 25,310,000 | 16,317,000 |
| Accounts Payable and Accrued Liabilities | 12,060,000 | 9,835,000 |
| Income Taxes Payable | 167,000 | 701,000 |
| Long Term Debt Due Within One Year (Note 4) | 566,000 | 865,000 |
| | <u>43,270,000</u> | <u>33,676,000</u> |
| Long Term Debt (Note 4) | 14,306,000 | 14,873,000 |
| Deferred Income Taxes | 1,625,000 | 1,265,000 |
| Minority Interest | — | 192,000 |
| Shareholders' Equity | | |
| Capital Stock (Note 5) | | |
| Preference Shares Issued | 1,911,000 | 1,963,000 |
| Common Shares Issued | 5,089,000 | 4,738,000 |
| Retained Earnings | <u>27,713,000</u> | <u>23,517,000</u> |
| Total Shareholders' Equity | 34,713,000 | 30,218,000 |
| Commitments (Note 8) | | |
| | | |
| | | |
| Total Liabilities and Shareholders' Equity | <u>\$93,914,000</u> | <u>\$80,224,000</u> |

Consolidated Statement of Changes in Financial Position

For The Year Ended December 31

| | 1978 | 1977 |
|---|---------------------|---------------------|
| Source of Funds | | |
| Net Earnings for the Year | \$ 5,114,000 | \$ 4,386,000 |
| Add (Deduct) Items Not Affecting Funds From Operations | | |
| Depreciation, Depletion and Amortization (Note 1) | 2,497,000 | 2,119,000 |
| Deferred Income Taxes | 360,000 | (681,000) |
| Gain on Disposal of Fixed Assets | (236,000) | (496,000) |
| Other | 3,000 | 1,000 |
| Funds from Operations | 7,738,000 | 5,329,000 |
| Notes Receivable | 24,000 | — |
| Long Term Debt | — | 7,492,000 |
| Proceeds on Disposal of Fixed Assets | 450,000 | 2,688,000 |
| Shares Issued | 351,000 | 502,000 |
| | <u>8,563,000</u> | <u>16,011,000</u> |
| Application of Funds | | |
| Fixed Assets | 6,914,000 | 6,257,000 |
| Purchase of Preference Shares | 39,000 | 43,000 |
| Dividends | 918,000 | 633,000 |
| Long Term Debt | 582,000 | 1,032,000 |
| Goodwill | 100,000 | 36,000 |
| Notes Receivable | 351,000 | 254,000 |
| Dividend Paid to Minority Shareholder | 175,000 | — |
| Acquisition of Minority Interest | 80,000 | 494,000 |
| | <u>9,159,000</u> | <u>8,749,000</u> |
| Increase (Decrease) in Working Capital | (596,000) | 7,262,000 |
| Working Capital at Beginning of Year | 25,159,000 | 17,897,000 |
| Working Capital at End of Year | <u>\$24,563,000</u> | <u>\$25,159,000</u> |
| Changes in Components of Working Capital | | |
| Current Assets | | |
| Cash | \$ 625,000 | \$ 731,000 |
| Accounts Receivable | 5,057,000 | (1,148,000) |
| Inventories | 3,316,000 | 2,080,000 |
| | <u>8,998,000</u> | <u>1,663,000</u> |
| Current Liabilities | | |
| Bank Indebtedness | (791,000) | 3,287,000 |
| Short Term Loans | 8,993,000 | (7,333,000) |
| Accounts Payable and Accrued Liabilities | 2,225,000 | (653,000) |
| Income Taxes Payable | (534,000) | (834,000) |
| Long Term Debt Due Within One Year | (299,000) | (66,000) |
| | <u>9,594,000</u> | <u>(5,599,000)</u> |
| Increase (Decrease) in Working Capital | <u>\$ (596,000)</u> | <u>\$ 7,262,000</u> |

Notes to Consolidated Financial Statements

December 31, 1978

Note 1 Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its subsidiary companies from their effective dates of acquisition. All of the subsidiary companies are wholly owned. Inter-company balances and transactions are eliminated.

DEPRECIATION

The Company's property, plant and equipment are depreciated on the following basis:

| | Basis | Rate |
|---|--------------------|---|
| Buildings | Straight-line | 2.5% - 5% |
| Machinery and Equipment | Straight-line | 10% - 30% |
| Logging Access Roads | Unit of production | Based on estimated reserves |
| Sand and Gravel Rights and Properties | Unit of production | Based on estimated reserves if not leased for fixed period |
| Timber Rights and Leases | Straight-line | 5% |

GOODWILL

Goodwill acquired after December 31, 1973 in conjunction with the purchase of fixed assets and subsidiaries is being amortized over periods up to five years.

EARNINGS PER COMMON SHARE

The earnings per share are calculated using the weighted average number of shares outstanding for the year.

Note 2 Inventories

Inventories in the Retail and Concrete Divisions are valued at the lower of cost or net realizable value (estimated selling price) on a first in first out basis.

In the Lumber Division inventories are valued at the lower of average production cost or net realizable value (mill net selling price, less cost of shipping).

INVENTORY VALUES BY DIVISION ARE AS FOLLOWS:

| | 1978 | 1977 |
|-------------------------|----------------------------|----------------------------|
| Retail Division | \$32,979,000 | \$30,245,000 |
| Concrete Division | 2,139,000 | 1,852,000 |
| Lumber Division | 4,849,000 | 4,554,000 |
| | <u>\$39,967,000</u> | <u>\$36,651,000</u> |

Note 3 Property, Plant and Equipment

| | 1978 | | 1977 | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | Cost | Net Book Value | Cost | Net Book Value |
| Land | \$ 3,986,000 | \$ 3,986,000 | \$ 3,568,000 | \$ 3,568,000 |
| Buildings | 13,791,000 | 9,496,000 | 11,886,000 | 7,947,000 |
| Machinery and Equipment | 19,802,000 | 9,152,000 | 16,291,000 | 6,395,000 |
| Logging Access Roads | 3,074,000 | 922,000 | 2,783,000 | 1,041,000 |
| Sand and Gravel Rights and Properties | 682,000 | 417,000 | 682,000 | 450,000 |
| Timber Rights and Leases | 2,238,000 | 787,000 | 2,238,000 | 898,000 |
| | <u>\$43,573,000</u> | <u>\$24,760,000</u> | <u>\$37,448,000</u> | <u>\$20,299,000</u> |

Note 4 Long Term Debt

| | 1978 | 1977 |
|---|----------------------------|----------------------------|
| Sinking Fund Debentures, 10 ³ / ₈ % due 1997 (Annual sinking fund requirement \$300,000, commencing June 15, 1980) | \$ 6,919,000 | \$ 6,915,000 |
| Sinking Fund Debentures, 11 ⁵ / ₈ % due 1990 (Annual sinking fund requirement \$600,000, commencing July 31, 1981) | 6,239,000 | 6,234,000 |
| Sinking Fund Debentures, 6.5% due 1981 (Annual sinking fund requirement \$200,000) | 442,000 | 740,000 |
| Serial Debentures, 10% (Repayable \$200,000 annually, 1979 and 1980) | 396,000 | 594,000 |
| Serial Notes, 10% (Repayable \$139,600 annually, 1979 and 1980) | 279,000 | 419,000 |
| 8% Convertible Term Notes | — | 200,000 |
| Purchase Money Mortgages (Repayable over various terms to 1999 at rates varying from 9 ¹ / ₂ % to 11 ¹ / ₂ %) | 577,000 | 596,000 |
| 10% Mortgage (Repayable 1979) | 20,000 | 40,000 |
| | 14,872,000 | 15,738,000 |
| Long Term Debt Due Within One Year | 566,000 | 865,000 |
| | <u>\$14,306,000</u> | <u>\$14,873,000</u> |

The Trust Indenture governing the Sinking Fund 6.5% 1981 Debentures provides that the Company cannot become liable upon any additional funded obligations which in any year prior to September 1, 1981 mature in amounts that exceed the sinking fund payments unless the latter are correspondingly increased, except that up to 30% of any subsequent issue of debentures may be issued as Serial Debentures having annual serial maturities prior to September 1, 1981.

Aggregate annual maturities for the next five years are as follows:

| | |
|------------|-----------|
| 1979 | \$566,000 |
| 1980 | \$805,000 |
| 1981 | \$909,000 |
| 1982 | \$910,000 |
| 1983 | \$911,000 |

Note 5 Capital Stock

PREFERENCE SHARES

The 300,000 authorized preference shares of a par value of \$20.00 each are issuable in series, of which 125,000 have been designated as 6% cumulative redeemable shares 1961 series and are redeemable at \$20.50 plus any accrued and unpaid dividends as at the date of redemption and 9,351 have been designated as 1% non-cumulative redeemable preference shares 1970 series.

The 6% cumulative redeemable shares 1961 series issued and outstanding are as follows:

| | 1978 | | 1977 | |
|--|----------------------|---------------------------|----------------------|---------------------------|
| | Shares | Amount | Shares | Amount |
| Balance, beginning of year | 98,144 | \$1,963,000 | 101,044 | \$2,021,000 |
| Purchased on open market and tendered for cancellation | 2,600 | 52,000 | 2,900 | 58,000 |
| Balance, end of year | <u>95,544</u> | <u>\$1,911,000</u> | <u>98,144</u> | <u>\$1,963,000</u> |

COMMON SHARES

10,000,000 common shares of no par value are authorized. Common shares issued and outstanding are as follows:

| | 1978 | | 1977 | |
|---|-------------------------|---------------------------|-------------------------|---------------------------|
| | Shares | Amount | Shares | Amount |
| Balance, beginning of year | 3,989,493 | \$4,738,000 | 3,904,962 | \$4,236,000 |
| Issued on purchase of additional interest in subsidiary | — | — | 21,531 | 150,000 |
| Issued for cash under employee stock option plan | — | — | 27,000 | 83,000 |
| Issued for cash under employee stock purchase plan | 35,000 | 351,000 | 36,000 | 269,000 |
| | <u>4,024,493</u> | <u>\$5,089,000</u> | <u>3,989,493</u> | <u>\$4,738,000</u> |
| Shares reserved for employee stock purchase plan | | | | 246,766 |

Note 6 Statutory Requirements

- (a) The remuneration of directors and senior officers in 1978 amounted to \$506,000 compared with \$463,000 in 1977.
- (b) The Company has a Stock Purchase Plan which provides that employees will be entitled to purchase common shares of the Company in such amounts as the Directors shall approve at a price equal to the closing price on the Toronto Stock Exchange on the date the shares are purchased. The Company advances to such employees by way of loans the purchase price of such shares and the employees give the Company promissory notes payable without interest at a date determined by the Directors. As security for such loans the employees pledge the shares of the Company purchased by them pursuant to the Plan.

During the year the Company advanced by way of loans \$211,000 (1977 - \$147,000) to certain officers for the purchase of common shares of the Company. Total notes receivable under the Plan from officers and other employees who are shareholders of the Company at December 31, 1978 are \$801,000 (1977 - \$474,000).

Note 7 Pension Plan

The Company and its subsidiaries have a contributory retirement plan which is available to substantially all its employees. Current service costs are charged to operations as they accrue. Based on an actuarial valuation made as of December 31, 1978 there is no unfunded liability.

Note 8 Commitments

At December 31, 1978, the Company operated 105 stores. The properties relating to 93 of these stores are owned with those relating to the other 12 being leased for terms varying from five to twenty years at minimum annual rentals (exclusive of taxes, insurance and other occupancy charges) as shown below. The Company also has equipment under lease for terms varying from five to seven years.

The lease payments required over the next five years are as follows:

| | <u>Properties</u> | <u>Equipment</u> |
|------------|-------------------|------------------|
| 1979 | \$996,000 | \$1,601,000 |
| 1980 | \$963,000 | \$1,342,000 |
| 1981 | \$963,000 | \$1,190,000 |
| 1982 | \$963,000 | \$ 956,000 |
| 1983 | \$965,000 | \$ 630,000 |

Auditors' Report

To the Shareholders of
Revelstoke Companies Ltd.

We have examined the consolidated balance sheet of Revelstoke Companies Ltd. as at December 31, 1978 and the consolidated statements of current and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the consolidated financial position of the Company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

March 30, 1979

Chartered Accountants

Ten Year Financial Review

30

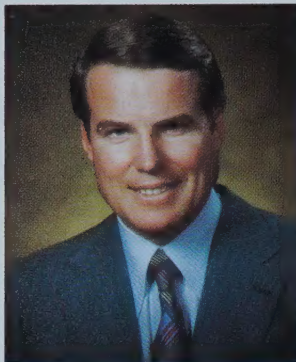
| 1976 | 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 |
|------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 48,902,000 | \$ 93,304,000 | \$ 80,343,000 | \$ 63,171,000 | \$ 42,809,000 | \$ 31,866,000 | \$ 29,339,000 | \$ 33,096,000 |
| 8,072,000 | 4,701,000 | 4,843,000 | 6,387,000 | 3,000,000 | 1,420,000 | 204,000 | 2,044,000 |
| 3,701,000 | 2,130,000 | 2,385,000 | 3,038,000 | 1,445,000 | 652,000 | 122,000 | 1,114,000 |
| — | — | — | — | — | — | 1,789,000 | — |
| 4,318,000 | 2,531,000 | 2,435,000 | 3,332,000 | 1,541,000 | 764,000 | 1,863,000 | 854,000 |
| 6,162,000 | 3,611,000 | 3,908,000 | 5,364,000 | 2,970,000 | 2,074,000 | 2,759,000 | 1,943,000 |
| 38.25 | 24.31 | 21.02 | 17.49 | 11.89 | 8.85 | 8.15 | 9.19 |
| 1.08 | 0.63 | 0.60 | 0.89 | 0.39 | 0.18 | 0.48 | 0.20 |
| 1.58 | 0.94 | 1.02 | 1.48 | 0.83 | 0.58 | 0.77 | 0.54 |
| 0.125 | 0.10 | 0.10 | 0.085 | 0.07 | 0.035 | 0.065 | 0.10 |
| 6.15 | 5.20 | 4.68 | 4.18 | 3.71 | 3.37 | 3.22 | 2.81 |
| 17,897,000 | 16,126,000 | 10,131,000 | 10,048,000 | 6,524,000 | 7,179,000 | 8,418,000 | 8,266,000 |
| 18,241,000 | 17,242,000 | 14,558,000 | 13,114,000 | 11,946,000 | 9,329,000 | 7,904,000 | 7,116,000 |
| 8,400,000 | 9,258,000 | 3,028,000 | 4,016,000 | 3,009,000 | 2,227,000 | 2,537,000 | 2,732,000 |
| 26,021,000 | 22,134,000 | 20,054,000 | 18,127,000 | 15,502,000 | 14,263,000 | 13,771,000 | 12,321,000 |
| 76,095,000 | 62,081,000 | 49,692,000 | 43,569,000 | 33,559,000 | 24,518,000 | 22,246,000 | 22,178,000 |
| 1.46 | 1.57 | 1.41 | 1.49 | 1.44 | 1.90 | 2.42 | 2.26 |
| 3.10 | 2.39 | 6.62 | 4.51 | 5.15 | 6.40 | 5.43 | 4.51 |
| 6.96% | 5.09% | 5.59% | 9.92% | 6.30% | 3.40% | 8.40% | 4.37% |
| 19.50% | 12.62% | 13.43% | 21.50% | 10.81% | 5.55% | 15.12% | 7.11% |
| 3,904,962 | 3,860,522 | 3,837,030 | 3,820,030 | 3,600,030 | 3,600,030 | 3,600,030 | 3,600,030 |
| 897 | 899 | 906 | 760 | 735 | 901 | 964 | 935 |
| \$8.00 | \$4.57 | \$6.56 | \$6.44 | \$3.94 | \$2.75 | \$2.25 | \$2.92 |
| \$3.90 | \$2.88 | \$2.50 | \$3.82 | \$2.25 | \$1.50 | \$1.33 | \$2.29 |
| 2,035 | 1,650 | 1,300 | 1,250 | 1,100 | 900 | 800 | 830 |

Our Company Officers and Directors

Officers

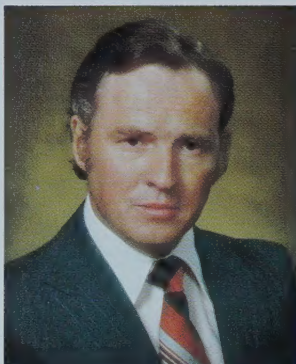
D. Steele Curry

President and Chief Executive Officer. Joined Revelstoke in that position in 1971. Received M.B.A. from Harvard University in 1964, B.A. from Stanford University in 1962. Age 38.



Gerald A. Berkhold

Senior Vice President. Responsible for developing programs in the areas of inventory control, gross margin management, credit administration and management training. Joined Revelstoke as Vice President Operations in 1972, appointed Senior Vice President in early 1979. Received B.Comm. from the University of Alberta in 1960. Age 40.



John B. Hall

Vice President Lumber Trading. Responsible for selling the lumber produced by the Company's mills and purchasing the lumber required by the stores. Joined Revelstoke in 1938, appointed Vice President in 1960. Age 63.



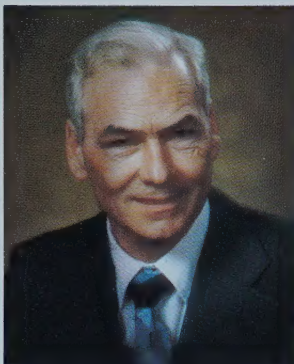
Brian A. Harris

Assistant Secretary Treasurer. Responsible for accounting, general administration, and certain financial and legal affairs in conjunction with the Vice President and Secretary Treasurer. Joined Revelstoke in 1959, appointed Assistant Secretary Treasurer in 1977. R.I.A. Age 38.



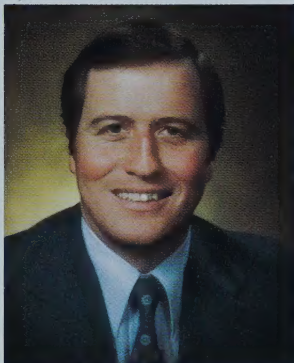
Keith A.C. McDowell

Vice President and Secretary Treasurer. Responsible for the Company's general corporate, financial and legal affairs. Joined Revelstoke in 1955, appointed Secretary Treasurer in 1961 and Vice President in 1968. C.A. Age 51.



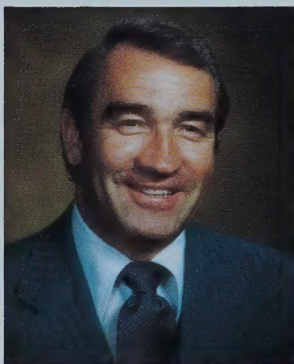
Gordon D. Roberts

Vice President Operations. Responsible for the operations of the Retail and Concrete Divisions, and for the data processing and management information systems. Joined Revelstoke as Vice President Administration in 1975, appointed Vice President Operations in early 1979. Received B.Comm. from the University of Alberta in 1960. Age 41.



Victor R. Roskey

Vice President Merchandising. Responsible for advertising, new store development, purchasing and the other merchandising functions of the Retail Division. Joined Revelstoke in 1948, appointed Vice President in 1974. Age 47.



Board of Directors

Gerald A. Berkhold

Senior Vice President
Revelstoke Companies Ltd.
Calgary, Alberta

G. Mark Curry †

Member of Corporate
Finance Department
Burns Fry Limited
Toronto, Ontario

D. Steele Curry * ‡

President
Revelstoke Companies Ltd.
Calgary, Alberta

Neil B. Ivory †

President
Pembroke Management Ltd.
Montreal, Quebec

John E. Sands, C.A. * † ‡

Vice President
Trucena Investments Limited
Toronto, Ontario

John L. Schlosser ‡

President
Tri-Jay Investments Ltd.
Edmonton, Alberta

Daryl K. Seaman

Chairman and
Chief Executive Officer
Bow Valley Industries Ltd.
Calgary, Alberta

Brett F. Sine *

Chairman of the Board
Revelstoke Companies Ltd.
Calgary, Alberta

Robert L. Strickland ‡

Chairman of the Board
Lowe's Companies, Inc.
North Wilkesboro,
North Carolina

* Members of the
Executive Committee

† Members of the
Audit Committee

‡ Members of the
Compensation Committee

General Company Information

Company Ownership

Venture Funding Corporation Limited, a private investment holding company, owns just over 43% of the total outstanding common shares. Venture Funding is Canadian controlled and not a "noneligible person" as defined by the Foreign Investment Review Act of the Canadian federal government. Another 7% of Revelstoke's common shares are held by the principals of Venture Funding as well as other members of management. The remaining shares are held by Canadian institutional and individual shareholders with the exception of approximately 1% of the shares which are held by U.S. and foreign shareholders.

Parent Company Incorporation

Province of Alberta, Canada

Listing of Common and Preferred Shares

The Toronto Stock Exchange

Transfer Agents and Registrars

Common Shares
Montreal Trust Company
Calgary, Toronto, Montreal and Vancouver

Preferred Shares and Trustees for 6½ %
Debentures
Canada Permanent Trust Company
Calgary, Toronto, Montreal and Vancouver

Auditors

Price Waterhouse & Co.

Head Office

Revelstoke Companies Ltd.
Box 2501
508 - 24 Avenue S.W.,
Calgary, Alberta T2P 2N2
Phone (403) 266-6071

Annual Meeting

The Annual Meeting of Shareholders will be held at the Glencoe Club, 29 Avenue and 6 Street S.W., Calgary, Alberta on May 31, 1979 at 9:30 a.m.

